

CITY OF EVERMAN, TEXAS

**Annual Financial Report for the Year Ended
September 30, 2016**

**CITY OF EVERMAN, TEXAS
ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS**

	<u>PAGE</u>
Principal Officials	1
 FINANCIAL SECTION	
Independent Auditor's Report	3
Management's Discussion and Analysis	5
 Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet - Governmental Funds	17
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Net Position - Enterprise Fund	20
Statement of Revenues, Expenses and Changes in Net Position - Enterprise Fund	21
Statement of Cash Flows - Enterprise Fund	22
Notes to Financial Statements	23
 Required Supplemental Information:	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	46
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Economic Development Corporation Fund	47
Schedule of Changes in the Net Pension Liability and Related Ratios	48
Schedule of Employer Contributions and Related Ratios	49
 Supplemental Information:	
Combining Balance Sheet - Nonmajor Governmental Funds	51
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Funds	52
Statement of Revenues - Budget and Actual - General Fund	53
Statement of Expenditures - Budget and Actual - General Fund	54
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Crime Control and Prevention District Fund	56
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Street Improvement Fund	57
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Debt Service Fund	58
Statement of Expenses - Budget and Actual - Enterprise Fund	59

**CITY OF EVERMAN, TEXAS
ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS**

	<u>PAGE</u>
Governmental Activities:	
Schedule of 2007 General Obligation Refunding Bonds Payable Debt Service Requirement in Future Years	60
Schedule of 2013 General Obligation Bonds Payable Debt Service Requirement in Future Years	61
Schedule of Capital Lease Payable - Konica Minolta Premier Finance Debt Service Requirement in Future Years (Copier-Police Department)	62
Business-Type Activities	
Schedule of 2007 General Obligation Refunding Bonds Payable Debt Service Requirement in Future Years	63
Schedule of Insurance Coverage	64
 OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	66

**City of Everman, Texas
Principal Officials**

City Council

Ray Richardson, Mayor

Susan Mackey, Mayor Pro-Tem

Michelle Meyer, Council member

Kelly Denison, Council member

Johnnie Allen, Council member

Judy Sellers, Council member

Miriam Davila, Council member

Administrative

Michael Box, City Manager

Mindi Parks, City Secretary

Michael Gunderson, Finance Director

FINANCIAL SECTION



SNOW GARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
City of Everman, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Everman, Texas, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Everman, Texas, as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the schedule of changes in the City's net pension liability and related ratios, and the schedule of employer contributions and related ratios be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Everman, Texas' basic financial statements. The accompanying financial information listed as supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2017, on our consideration of the City of Everman's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Everman's internal control over financial reporting and compliance.



Snow Garrett Williams

March 3, 2017

CITY OF EVERMAN MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Everman's management's discussion and analysis (MD&A) provides an overview of the City's financial activities for the fiscal year ended September 30, 2016. The MD&A should be read in conjunction with the accompanying financial statements and the notes to those financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded liabilities at the close of fiscal year 2016 by \$6,667,153 (*net position*). Of this amount, \$1,374,929 is restricted for specific purposes and \$1,563,536 represents unrestricted net position that may be used to meet the City's ongoing obligations to citizens and creditors. As required by GASB 34, net position also reflects \$3,728,688 that is net investment in capital assets.
- In contrast to the government-wide statements, the governmental fund statements report a combined fund balance at year-end of \$3,792,649 of which \$2,040,812 or 54% represents restricted fund balance, \$636 represents assigned fund balance, \$47,570 represents non-spendable fund balance, and unassigned fund balance amounted to \$1,703,631 or 45%.
- The General Fund unassigned fund balance of \$1,703,631 equals 44% of total General Fund expenditures.
- The City's total debt decreased by \$200,779 during the current fiscal year primarily as a result of the regular scheduled annual debt service payments netted against changes in net pension liabilities and vacation payable.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's financial statements. The City's financial statements comprise four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, and 4) required supplementary information. This report also contains other supplementary information in addition to the basic financial statements.

The Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to private sector business. They present the financial picture of the City from an economic resource measurement focus using the accrual basis of accounting. These statements include all assets of the City as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred as prescribed by GASB Statement No. 34 in regards to interfund activity, payables, and receivables.

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how net position changed during the most recent fiscal year using the full accrual basis of accounting. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other business functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the City include administrative, streets, parks and building maintenance, police, maintenance garage, emergency medical services, fire, community and activity centers, municipal court, code enforcement, library, and animal control. The business-type activity of the City is water and sewer operations. All governmental and business-type activities included in the government-wide financial statements are functions of the City (known as the primary government).

**CITY OF EVERMAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

The government-wide financial statements can be found on pages 15 and 16 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, however, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The City maintains seven individual governmental funds, which includes four special revenue funds, one debt service fund, one capital project fund, and the General Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Project Fund and the Economic Development Corporation (EDC) Fund, which are classified as major funds. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for the general fund, special revenue funds, and the debt service fund. Budgetary comparison statements (original versus final) have been provided in this report to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 17 through 19 of this report.

Proprietary funds. Proprietary funds can be further classified into two different types of funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Everman uses an enterprise fund to account for its water and sewer operation. Internal service funds are an accounting device used to accumulate and allocate costs internally among a government's various functions. The City allocates costs directly to the operating department and accordingly does not account or report for any internal service funds.

The proprietary fund financial statements can be found on pages 20 through 22 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that for proprietary funds.

**CITY OF EVERMAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

The City of Everman does not hold any resources for the benefit of parties outside the City government and accordingly neither accounts nor reports for fiduciary funds.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 through 44 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including budgetary comparison information and information concerning pension benefits. The required supplementary information can be found on pages 46 through 49 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities by \$6,667,153 as of September 30, 2016. In the year of implementation of GASB Statement No. 68, as amended by GASB Statement No. 71, a restatement to beginning net position was required for recording the beginning net pension liability and for recording deferred outflows of resources for contributions made after the measurement date of the beginning net pension liability and the beginning of the reporting entity's fiscal year. Therefore, beginning net positions were restated for the year ended September 30, 2015.

	Governmental Activities		Business-type Activities		Total	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current and other assets	\$4,168,854	\$5,362,858	\$ 279,533	\$ 347,953	\$4,448,387	\$5,710,811
Capital assets, net of depreciation	4,028,354	3,615,343	2,115,486	2,098,020	6,143,840	5,713,363
Total assets	<u>8,197,208</u>	<u>8,978,201</u>	<u>2,395,019</u>	<u>2,445,973</u>	<u>10,592,227</u>	<u>11,424,174</u>
Deferred outflows of resources	272,007	87,896	29,156	9,385	301,163	97,281
Long-term liabilities	3,295,608	3,408,795	530,773	618,365	3,826,381	4,027,160
Other liabilities	161,028	193,403	238,828	269,212	399,856	462,615
Total liabilities	<u>3,456,636</u>	<u>3,602,198</u>	<u>769,601</u>	<u>887,577</u>	<u>4,226,237</u>	<u>4,489,775</u>
Net position:						
Net Investment in						
Capital Assets	2,073,202	1,615,156	1,655,486	1,533,020	3,728,688	3,148,176
Restricted	1,374,929	1,517,788	-	-	1,374,929	1,517,788
Unrestricted	1,564,448	2,330,955	(912)	34,761	1,563,536	2,365,716
Total Net Position	<u>\$5,012,579</u>	<u>\$5,463,899</u>	<u>\$1,654,574</u>	<u>\$1,567,781</u>	<u>\$6,667,153</u>	<u>\$7,031,680</u>

**CITY OF EVERMAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

Investment in capital assets (e.g., land, buildings, infrastructure, machinery and equipment, and construction in progress) less any related debt used to acquire those assets that is still outstanding is \$3,728,688. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional \$1,374,929 (or 21%) of the City's net position represents resources that are subject to external restrictions on how they may be used. All restricted net position of the City is being held for purposes established by state and local laws and debt service requirements on the City's outstanding debt. The remaining balance of unrestricted net position (\$1,563,536) may be used to meet the City's ongoing obligations to citizens and creditors.

The City's net position decreased by \$364,527 during the current fiscal year. The City's governmental activities decreased net position by \$451,320 which included transfers from the business-type activities of \$185,118. The total cost of all governmental activities this year was \$4,132,776. The amount that taxpayers paid for these activities through property taxes was \$1,615,663 or 39%.

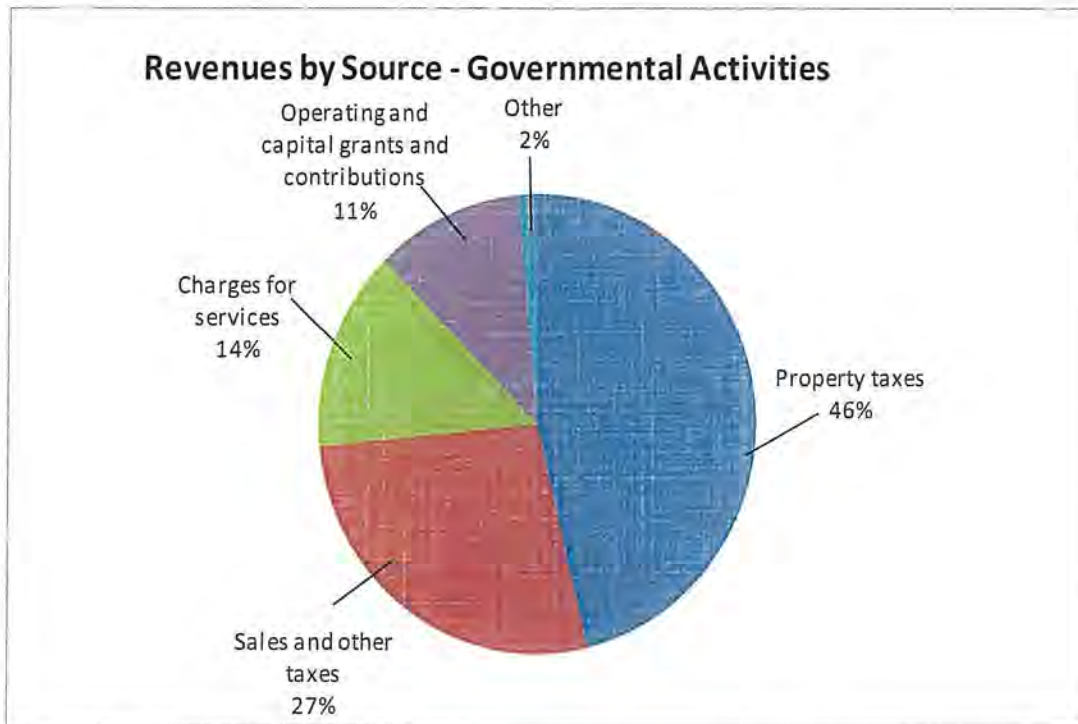
**CITY OF EVERMAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

City of Everman's Changes in Net Position

	Governmental		Business-type		Total	
	Activities		Activities			
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues:						
Program revenues:						
Charges for services	\$ 494,817	\$ 772,573	\$ 1,483,253	\$ 1,498,167	\$ 1,978,070	\$ 2,270,740
Operating grants and contributions	315,046	307,925	-	-	315,046	307,925
Capital grants and contributions	66,513	-	-	130,000	66,513	130,000
General revenues:						
Property taxes	1,615,663	1,570,995	-	-	1,615,663	1,570,995
Sales and other taxes	952,643	940,704	-	-	952,643	940,704
Gain on disposal of assets	-	23,800	-	-	-	23,800
Other	51,656	26,054	635	121	52,291	26,175
Total revenues	<u>3,496,338</u>	<u>3,642,051</u>	<u>1,483,888</u>	<u>1,628,288</u>	<u>4,980,226</u>	<u>5,270,339</u>
Expenses:						
Administrative	750,341	753,331	-	-	750,341	753,331
Streets	679,744	556,916	-	-	679,744	556,916
Parks and building maintenance	171,139	161,553	-	-	171,139	161,553
Police	1,381,936	1,268,324	-	-	1,381,936	1,268,324
Maintenance garage	160,867	178,725	-	-	160,867	178,725
Emergency medical services	443,396	385,383	-	-	443,396	385,383
Fire	108,728	113,812	-	-	108,728	113,812
Community and activity centers	18,963	14,080	-	-	18,963	14,080
Municipal court	65,995	62,090	-	-	65,995	62,090
Code enforcement	63,622	75,278	-	-	63,622	75,278
Library	127,037	102,366	-	-	127,037	102,366
Animal control	88,302	72,620	-	-	88,302	72,620
Interest on long-term debt	72,706	80,563	-	-	72,706	80,563
Water	-	-	684,801	731,027	684,801	731,027
Sewer	-	-	527,176	527,303	527,176	527,303
Total expenses	<u>4,132,776</u>	<u>3,825,041</u>	<u>1,211,977</u>	<u>1,258,330</u>	<u>5,344,753</u>	<u>5,083,371</u>
Increase (decrease) in net position						
before transfers	(636,438)	(182,990)	271,911	369,958	(364,527)	186,968
Transfers	<u>185,118</u>	<u>104,871</u>	<u>(185,118)</u>	<u>(104,871)</u>	<u>-</u>	<u>-</u>
Change in net position	(451,320)	(78,119)	86,793	265,087	(364,527)	186,968
Net position, beginning of year	5,463,899	5,815,999	1,567,781	1,334,554	7,031,680	7,150,553
Prior period adjustment	-	(273,981)	-	(31,860)	-	(305,841)
Net position, beginning of year, restated	<u>5,463,899</u>	<u>5,542,018</u>	<u>1,567,781</u>	<u>1,302,694</u>	<u>7,031,680</u>	<u>6,844,712</u>
Net position, end of year	<u>\$ 5,012,579</u>	<u>\$ 5,463,899</u>	<u>\$ 1,654,574</u>	<u>\$ 1,567,781</u>	<u>\$ 6,667,153</u>	<u>\$ 7,031,680</u>

**CITY OF EVERMAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

Governmental activities. Governmental activities decreased the City of Everman's net position by \$451,320. This decrease is related to a budgeted decrease in net position due to planned expenditure of accumulated net position.



Business-type activities. Business-type activities increased the City's net position by \$86,794. Key elements of this increase are related to a budgeted increase in net position due to changes in water rates and better maintenance of non-working meters.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The general government functions are reported in the General, Special Revenue, and Debt Service Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's annual financing and budgeting requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,792,649, a decrease of \$1,092,800 in comparison with the prior year. Approximately \$1,703,631 or 45% of the fund balance represents unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance has been assigned for employee appreciation fund (\$636), or restricted to indicate that it is not available for new spending because it has already been set aside to fund capital projects (\$685,139), economic development (\$851,186), tax increment financing (\$1,392), street improvements (\$348,625), crime control and prevention (\$79,020), debt service (\$22,846), LEOCE training and court related expenditures (\$34,065), and celebration expenditures (\$18,539).

**CITY OF EVERMAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the total fund balance of the general fund was \$1,804,441, of which \$1,703,631 represented unassigned fund balance. As a measure of the general fund's liquidity, we compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 44%, or slightly more than 159 days of total fund expenditures.

The fund balance of the City's general fund decreased by \$699,408 during the current fiscal year. Key factors in this decrease are as follows:

- Decrease in ambulance fees;
- Decrease in permit fees and court fines revenues; and
- Budgeted use of fund reserves for capital outlay expenditures.

The debt service fund has a fund balance of \$22,846. The net increase in fund balance during the current year in the debt service fund was \$5,889.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City approved budget amendments to the original 2015-2016 general fund annual budget. The significant amendments were an increase in intergovernmental and other revenues; a decrease in street expenditures; and an increase in police, emergency medical services, and capital outlay expenditures.

Comparing budget to actual amounts, the City was below the final budgeted revenue estimate by \$129,717, or 3.9%. The primary revenues that came in below estimated budget amounts were taxes and fines and fees revenues.

Total expenditures were 1.4% less than the final budgeted amounts. Actual expenditures were less than budgeted primarily due to less expenditures than expected in administrative, community and activity centers, and capital outlay.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. The City's investment in total capital assets for its governmental and business-type activities as of September 30, 2016, amounts to \$6,143,840 (net of accumulated depreciation). The investment in capital assets related to governmental activities (\$4,028,354) includes land, infrastructure, buildings and improvements, machinery and equipment, and vehicles. The City's investment in capital assets related to business-type activities (\$2,115,486) includes land, water and sewer system, buildings and improvements, and machinery and equipment.

Major capital asset events during the current fiscal year include the following:

- Purchase of a fire truck for the fire department;
- Purchase of an ambulance for the EMS department;
- Purchase of land for the EDC;
- Purchase of vehicles for the maintenance garage, police, and water and sewer departments; and
- Improvements to streets, sewer, and water systems.

**CITY OF EVERMAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**City of Everman's Capital Assets
(net of depreciation)**

	Governmental Activities	Business-type Activities	Total
Land	\$ 265,786	\$ 53,425	\$ 319,211
Buildings and improvements	1,771,485	-	1,771,485
Infrastructure	1,382,095	-	1,382,095
Water and sewer system	-	1,965,245	1,965,245
Machinery and equipment	105,103	96,816	201,919
Vehicles	503,885	-	503,885
Total	\$ 4,028,354	\$ 2,115,486	\$ 6,143,840

Additional information on the City's capital assets can be found in Note G on pages 32 and 33 of this report.

Long-term debt. At the end of the current fiscal year, the City of Everman had total debt outstanding of \$3,826,381. Of this amount, \$2,200,000 represents general obligation bonds secured by property tax collections, \$89,137 in unamortized bond premium related to the general obligation bonds, \$350,000 represents general obligation refunding bonds secured by property tax collections, and \$460,000 represents general obligation refunding bonds secured solely by revenue from the City's combined water and sewer system. In addition, the City had capital leases payable of \$1,154, vacation payable of \$77,360, and net pension liability of \$648,730.

City of Everman's Outstanding Debt

	Governmental Activities	Business-Type Activities	Total
General obligation refunding bonds	\$ 350,000	\$ 460,000	\$ 810,000
General obligation bonds	2,200,000	-	2,200,000
Unamortized bond premium	89,137	-	89,137
Capital lease agreements	1,154	-	1,154
Vacation payable	69,279	8,081	77,360
Net pension liability	586,038	62,692	648,730
Total	\$ 3,295,608	\$ 530,773	\$ 3,826,381

The City of Everman's total long-term debt decreased by a net amount of \$200,779 during the current fiscal year. Debt related to governmental activities decreased by \$113,187 primarily as a result of scheduled debt service payments. Debt related to business-type activities decreased by \$87,592 primarily as a result of scheduled debt service payments. The City's bonds are rated "A-" by Standard and Poor's Corporation.

**CITY OF EVERMAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

State statutes limit the total property tax rate to \$2.50 per \$100 assessed valuation. The City's total property tax rate for 2015-2016 was \$1.255205 per \$100 assessed valuation, of which \$.286496 was for annual debt service.

Additional information on the City's long-term debt can be found in Note H on pages 34 through 37 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The annual budget is developed to provide efficient, effective and economic uses of the City's resources, as well as, a means to accomplish the highest priority objectives. Through the budget, the City Council sets the direction of the City, allocates its resources and establishes its priorities.

In preparing the City budget for fiscal year 2017, the City Council and management considered the following factors:

- Increase in property taxes due to an increase in assessed values; change is less than \$60,000;
- Increase in sales tax and right of way franchise fees; estimated at 5%;
- Decrease in ambulance service fees due to the removal of the charge on the water bill;
- Increase in salaries and benefits due to the approved 5% raises;
- Increase in health insurance expense for all departments; estimated increase is 10%;
- Increase in electric utilities for several departments; estimated at 3%;
- Increase in capital expenditures in police and parks departments; and
- Increase in Street Improvement Project because of estimated carry-over from 2016 of \$575,000.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the City Manager at 212 Race Street, Everman, Texas, 76140.

BASIC FINANCIAL STATEMENTS

CITY OF EVERMAN, TEXAS
Statement of Net Position
September 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 3,786,726	\$ 4,242	\$ 3,790,968
Receivables			
Taxes, net of allowance for uncollectibles	141,567	-	141,567
Accounts, net of allowances for uncollectibles	192,991	127,220	320,211
Prepaid expenses	47,570	-	47,570
Restricted assets			
Cash and cash equivalents	-	148,071	148,071
Capital assets			-
Land and construction in progress	265,786	53,425	319,211
Other capital assets, net of depreciation	3,762,568	2,062,061	5,824,629
Total capital assets	4,028,354	2,115,486	6,143,840
Total assets	8,197,208	2,395,019	10,592,227
Deferred Outflows of Resources			
Deferred outflows of resources- pension	272,007	29,156	301,163
Liabilities			
Accounts payable and accrued expenses	123,928	85,314	209,242
Due to State	24,240	-	24,240
Interest payable	12,860	-	12,860
Payable from restricted assets			
Customer deposits	-	148,256	148,256
Accrued interest payable	-	5,258	5,258
Noncurrent liabilities			
Due within one year	349,680	123,081	472,761
Due in more than one year	2,945,928	407,692	3,353,620
Total liabilities	3,456,636	769,601	4,226,237
Net position			
Net investment in capital assets	2,073,202	1,655,486	3,728,688
Restricted for:			
Debt service	42,102	-	42,102
Economic development	851,186	-	851,186
Street improvement	348,625	-	348,625
Crime control and prevention district	79,020	-	79,020
Tax increment financing zone	1,392	-	1,392
Court security and technology	29,089	-	29,089
LEOCE training	4,976	-	4,976
Celebration and other donations	18,539	-	18,539
Unrestricted	1,564,448	(912)	1,563,536
Total net position	\$ 5,012,579	\$ 1,654,574	\$ 6,667,153

The accompanying notes are an integral part of these financial statements.

CITY OF EVERMAN, TEXAS
Statement of Activities
For the Fiscal Year Ended September 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Governmental activities							
Administrative	\$ 750,341	\$ 14,443	\$ 1,158	\$ -	\$ (734,740)	\$ -	\$ (734,740)
Streets	679,744	290,081	-	-	(389,663)	-	(389,663)
Parks and building maintenance	171,139	1,575	-	-	(169,564)	-	(169,564)
Police	1,381,936	-	177,989	-	(1,203,947)	-	(1,203,947)
Maintenance garage	160,867	-	-	-	(160,867)	-	(160,867)
Emergency medical services	443,396	83,919	44,611	46,000	(268,866)	-	(268,866)
Fire	108,728	-	91,000	20,513	2,785	-	2,785
Community and activity centers	18,963	550	-	-	(18,413)	-	(18,413)
Municipal court	65,995	77,692	-	-	11,697	-	11,697
Code enforcement	63,622	22,848	-	-	(40,774)	-	(40,774)
Library	127,037	627	80	-	(126,330)	-	(126,330)
Animal control	88,302	3,082	208	-	(85,012)	-	(85,012)
Interest on long-term debt	72,706	-	-	-	(72,706)	-	(72,706)
Total governmental activities	4,132,776	494,817	315,046	66,513	(3,256,400)	-	(3,256,400)
Business-type activities							
Water	684,801	789,481	-	-	-	104,680	104,680
Sewer	527,176	693,773	-	-	-	166,597	166,597
Total business-type activities	1,211,977	1,483,253	-	-	-	271,276	271,276
Total primary government	\$ 5,344,753	\$ 1,978,070	\$ 315,046	\$ 66,513	(3,256,400)	271,276	(2,985,124)
General revenues:							
Taxes							
Property							
					1,615,663	-	1,615,663
Sales tax							
					632,951	-	632,951
Mixed beverage tax							
					11,447	-	11,447
Franchise taxes							
					289,548	-	289,548
Bingo tax							
					18,697	-	18,697
Investment earnings							
					28,350	635	28,985
Miscellaneous							
					23,306	-	23,306
Transfers							
					185,118	(185,118)	-
Total general revenues and transfers							
					2,805,080	(184,483)	2,620,597
Change in net position							
					(451,320)	86,793	(364,527)
Net position, beginning of year							
					5,463,899	1,567,781	7,031,680
Net position, end of year							
					\$ 5,012,579	\$ 1,654,574	\$ 6,667,153

CITY OF EVERMAN, TEXAS
Balance Sheet
Governmental Funds
September 30, 2016

	<u>General</u>	<u>Capital Project Fund</u>	<u>Economic Development Corporation</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 1,823,990	\$ 685,139	\$ 838,520	\$ 439,077	\$ 3,786,726
Receivables					
Taxes, net of allowances for uncollectibles of \$69,623	94,825	-	14,857	32,062	141,744
Accounts, net of allowance for uncollectibles of \$3,213	49,144	-	-	-	49,144
Prepaid expense	47,570	-	-	-	47,570
Total assets	\$ 2,015,529	\$ 685,139	\$ 853,377	\$ 471,139	\$ 4,025,184
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts payable and accrued expenses	\$ 121,737	\$ -	\$ 2,191	\$ -	\$ 123,928
Due to State	24,240	-	-	-	24,240
Unearned revenue- property taxes	65,111	-	-	19,256	84,367
Total liabilities	211,088	-	2,191	19,256	232,535
Fund Balance					
Nonspendable for prepaid expense	47,570	-	-	-	47,570
Restricted for:					
Street improvement	-	-	-	348,625	348,625
Crime control and prevention district	-	-	-	79,020	79,020
Capital projects	-	685,139	-	-	685,139
Economic development	-	-	851,186	-	851,186
Tax increment financing zone	-	-	-	1,392	1,392
Debt service	-	-	-	22,846	22,846
LEOCE training	4,976	-	-	-	4,976
Security fees	14,989	-	-	-	14,989
Technology fees	14,100	-	-	-	14,100
Celebration and other donations	18,539	-	-	-	18,539
Assigned for employee appreciation fund	636	-	-	-	636
Unassigned	1,703,631	-	-	-	1,703,631
Total fund balance	1,804,441	685,139	851,186	451,883	3,792,649
Total liabilities and fund balance	\$ 2,015,529	\$ 685,139	\$ 853,377	\$ 471,139	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,028,354
Deferred outflows of resources are not financial resources and, therefore, are not reported in the funds.	272,007
Property tax receivables, net of allowances are not available to pay for current period expenditures and, therefore, are unearned revenue in the funds.	84,367
Accounts receivable for ambulance services are not measurable and available in the current period and are not reported in the funds.	143,670
Some liabilities, including bonds, leases, interest, net pension liability and vacation payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(3,308,468)
Net position of governmental activities - statement of net position	\$ 5,012,579

CITY OF EVERMAN, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended September 30, 2016

	General	Capital Project Fund	Economic Development Corporation	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 1,903,184	\$ -	\$ 161,809	\$ 506,753	\$ 2,571,746
Licenses, permits, and fees for services	318,962	-	-	-	318,962
Intergovernmental revenue	241,402	-	-	1,158	242,560
Donations	138,999	-	-	-	138,999
Fines and fees	233,446	-	-	-	233,446
Interest income	12,698	3,133	10,783	1,736	28,350
Other revenues	47,453	-	-	-	47,453
Administrative services - other funds	308,001	-	-	-	308,001
Total revenues	3,204,145	3,133	172,592	509,647	3,889,517
Expenditures					
Administrative	617,677	-	158,368	85,846	861,891
Streets	594,984	-	-	-	594,984
Parks and building maintenance	100,225	-	-	-	100,225
Police	1,313,666	-	-	-	1,313,666
Maintenance garage	154,151	-	-	-	154,151
Emergency medical services	410,535	-	-	-	410,535
Fire	45,682	-	-	-	45,682
Community and activity centers	18,963	-	-	-	18,963
Municipal court	67,611	-	-	-	67,611
Code enforcement	64,161	-	-	-	64,161
Library	112,262	-	-	-	112,262
Animal control	80,906	-	-	-	80,906
Capital outlay	319,335	240,886	65,512	174,692	800,425
Debt service	3,395	-	-	353,460	356,855
Total expenditures	3,903,553	240,886	223,880	613,998	4,982,317
Net change in fund balance	(699,408)	(237,753)	(51,288)	(104,351)	(1,092,800)
Fund balances, beginning of year	2,503,849	922,892	902,474	556,234	4,885,449
Fund balances, end of year	\$ 1,804,441	\$ 685,139	\$ 851,186	\$ 451,883	\$ 3,792,649

CITY OF EVERMAN, TEXAS
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Fiscal Year Ended September 30, 2016

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds \$ (1,092,800)

Governmental funds report all capital outlays as expenditures. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current year.

Capital outlay	\$ 800,425	
Depreciation	<u>(372,426)</u>	
		427,999

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, transfers, and donations) is to decrease net position. (14,987)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property tax revenue	\$ (3,440)	
Ambulance revenue	<u>(66,751)</u>	
		(70,191)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds.

Compensated absences	(15,802)	
Accrued interest	1,361	
Amortization of bond premium	<u>9,535</u>	
		(4,906)

Pension expense in the funds is recorded as contributions when made to the TMRS plan. Pension expense in governmental activities is recorded as the TMRS plan's pension expense. This is the effect between the two statements. 30,312

The issuance of long-term debt (e.g. bonds payable, notes payable, and capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal repayments		
Bonds	\$ 270,000	
Capital leases	<u>3,253</u>	
		<u>273,253</u>

Change in net position of governmental activities - statement of activities \$ (451,320)

CITY OF EVERMAN, TEXAS
Statement of Net Position
Enterprise Fund
September 30, 2016

	<u>Water and Sewer Fund</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 4,242
Receivables	
Accounts, net of allowance for uncollectibles of \$13,107	<u>127,220</u>
Total current assets	131,462
Restricted assets	
Cash and cash equivalents	148,071
Noncurrent assets	
Capital assets	
Land	53,425
Buildings and improvements	630,200
Waterworks and sewer system	4,328,443
Machinery and equipment	306,407
Accumulated depreciation	<u>(3,202,989)</u>
Total noncurrent assets	<u>2,115,486</u>
Total assets	<u>2,395,019</u>
Deferred Outflows of Resources	
Deferred outflows of resources- pension	<u>29,156</u>
LIABILITIES	
Current liabilities	
Payable from current assets	
Accounts payable and accrued expenses	85,314
Vacation payable	<u>8,081</u>
Total payable from current assets	93,395
Payable from restricted assets	
Current portion of bonds payable	115,000
Customer deposits	148,256
Accrued interest	<u>5,258</u>
Total payable from restricted assets	<u>268,514</u>
Total current liabilities	361,909
Noncurrent liabilities	
Net pension liability	62,692
Bonds payable	<u>345,000</u>
Total noncurrent liabilities	<u>407,692</u>
Total liabilities	<u>769,601</u>
NET POSITION	
Net investment in capital assets	1,655,486
Unrestricted	<u>(912)</u>
Total net position	<u>\$ 1,654,574</u>

The accompanying notes are an integral part of these financial statements.

CITY OF EVERMAN, TEXAS
Statement of Revenues, Expenses and Changes in
Net Position - Enterprise Fund
For the Fiscal Year Ended September 30, 2016

	Water and Sewer Fund
Operating revenues	
Water and sewer sales	\$ 1,463,816
Other income	19,437
	1,483,253
Total operating revenues	
Operating expenses	
Water	534,776
Sewer	507,130
Administrative services - General Fund	185,118
Depreciation	151,069
	1,378,093
Total operating expenses	
Operating income	105,160
Non-operating revenues (expenses)	
Interest revenue	635
Interest expense and fiscal charge	(19,002)
	(18,367)
Total non-operating revenues (expenses)	
Change in net position	86,793
Net position, beginning of year	1,567,781
Net position, end of year	\$ 1,654,574

CITY OF EVERMAN, TEXAS
Statement of Cash Flows
Enterprise Fund
For the Fiscal Year Ended September 30, 2016

	Water and Sewer Fund
Cash Flows from Operating Activities:	
Cash received from customers	\$ 1,489,287
Cash paid to suppliers	(800,156)
Cash paid to employees	(274,144)
Cash paid to other funds	(185,118)
	<u>229,869</u>
Net cash provided by operating activities	
Cash Flows from Capital and Related Financing Activities:	
Purchase of Capital Assets	(168,535)
Principal payments on long-term debt	(105,000)
Interest payments and fiscal charge	(19,002)
Increase in customer deposits	6,771
	<u>(285,766)</u>
Net cash used in capital and related financing activities	
Cash Flows from Investing Activities:	
Interest income	635
	<u>635</u>
Net cash provided by investing activities	
Net decrease in cash and cash equivalents	(55,262)
Cash and cash equivalents at beginning of year	207,575
	<u>\$ 152,313</u>
Cash and cash equivalents at end of year	
RECONCILIATION OF CASH AND CASH EQUIVALENTS FROM THE STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET POSITION	
Cash and cash equivalents	\$ 4,242
Restricted cash and cash equivalents	148,071
	<u>\$ 152,313</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 105,160
Adjustments to reconcile operating income to net cash used in operations:	
Depreciation	151,069
Provision for bad debt	7,124
Decrease in:	
Accounts receivable	6,034
Accounts payable and accrued expenses	(37,155)
Increase in:	
Deferred outflows of resources	(19,771)
Net pension liability	16,541
Accrued vacation	867
	<u>867</u>
Net cash provided by operating activities	
	<u>\$ 229,869</u>

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2016

Note A. Summary of Significant Accounting Policies

The accounting policies of the City of Everman, Texas conform to accounting principles generally accepted in the United States of America as applicable to governments, except where specifically noted. The following are the most significant policies.

Financial Reporting Entity

The financial statements of the City of Everman are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The financial statements of the City of Everman include all primary government organizations, for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Some organizations are included as component units because of their fiscal dependency on the primary government. An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the primary government.

The following entities were found to be blended component units of the City for financial statement purposes because the component unit's governing body is substantially the same as the City Council or because the component unit exclusively serves the City.

Everman Crime Control and Prevention District – The City created the entity to provide supplemental funding to the police department in order to provide funding for law enforcement. Funding for the Crime Control and Prevention District is generated from .25% of sales tax. The governing body is currently made up of seven temporary Committee members all of whom were appointed by the City Council. There is a five-year sunset provision for this entity which was reinstated for an additional five years. The Crime Control and Prevention District provides all of its services to the City of Everman, Texas and upon its dissolution all assets shall be distributed to the City.

Everman Economic Development Corporation – The City created the Corporation for the purpose of projects and improvements that promote economic development within the City. There are seven directors, two of whom are members of the City Council and the remaining five members are residents of the City. All Board members are appointed by the City Council. The Corporation is authorized to sell bonds or other forms of indebtedness. Upon dissolution of the Corporation, the assets of the Corporation shall be distributed to the City of Everman, Texas. The Corporation provides all of its services to the City of Everman, Texas.

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2016

Note A. Summary of Significant Accounting Policies (Continued)

Everman Tax Increment Financing Reinvestment Zone Number One (TIF) – The City created the TIF for the purpose of dedicating the increase in tax revenue generated within the TIF to provide funds for the necessary public infrastructure to encourage accelerated development in this area of the City. Project costs will be financed through loans advanced by developers or bonds which may be issued and utilize the tax increment funds to support debt service as those funds are available. The revenue sources include the real property taxes captured by the TIF, which accounts for 100% of revenues to fund project costs or bond debt service. According to the Finance Plan (Plan) approved by City Council, the City of Everman will contribute 75% of its M & O tax rate, Tarrant County will contribute 50% of its tax rate, and Tarrant Hospital District will contribute 50% of its tax rate on the incremental taxable value shown in the Plan. The TIF's board of directors consists of five board members, of which three members are appointed by the City of Everman's City Council, one member is appointed by the Tarrant County Commissioners Court, and one member is appointed by the Tarrant County Hospital District. The TIF was approved to exist for thirty years with the termination set in 2042 or the date when all project costs are paid and any debt is retired, whichever comes first.

Government-wide and fund financial statements

The government-wide financial statements include the statement of net position and the statement of activities. Government-wide statements report, except for City fiduciary activity, information on all of the activities of the City. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Governmental activities are supported mainly by taxes and intergovernmental revenues.

The statement of activities reflects the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues. Separate financial statements are provided for governmental and proprietary funds. The General fund, Capital Project fund and the Economic Development Corporation fund meet criteria as *major governmental funds*. Each major fund is reported in a separate column in the fund financial statements. Non-major funds include the Crime Control and Prevention District, Street Improvement, Tax Increment Financing Zone, and Debt Service funds. The combined amounts for these funds are reflected in a single column in the Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances. Detailed statements for nonmajor funds are presented within Supplemental Information.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Revenues are classified as *program revenues* and *general revenues*. Program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes, investment earnings, and various other revenues.

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2016

Note A. Summary of Significant Accounting Policies (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Expenditures generally are recorded when a fund liability is incurred; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

The Capital Project Fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditures for the acquisition, repair or construction of various projects and acquisition of land, buildings, and equipment.

The Economic Development Corporation Fund is reported as a special revenue fund of the City and is utilized to account for the half-penny sales tax which can only be spent on projects and improvements that promote economic development activities within the City.

The City reports the following major proprietary funds:

The Water and Sewer Fund is used to account for operations that are financed and operated in a manner similar to a private business enterprise - where the intent of the City is that the cost (expenses) of providing goods or services to the general public on a continuing basis is to be financed or recovered primarily through user charges.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personnel and contractual services, supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or before the first day of September of each year and at least thirty days prior to adoption of a tax rate for the current fiscal year, the City Manager submits to the City Council a balanced budget for the ensuing fiscal year.
2. The City Council holds one or more public hearings on the proposed budget prior to the final adoption.
3. The City Council adopts the proposed budget, with or without amendment, after public hearings and before the first day of the ensuing fiscal year.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Fund, and Enterprise Fund.

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2016

Note A. Summary of Significant Accounting Policies (Continued)

5. Annual budgets for the General Fund, Special Revenue Funds, Debt Service Fund, and Enterprise Fund are adopted on a basis consistent with generally accepted accounting principles.
6. Unused appropriations of the above annually budgeted funds lapse at the end of each fiscal year.
7. The City Council may authorize additional appropriations during the year.
8. Provisions are made in the annual budget and in the appropriation ordinance for a contingent reserve in an amount not more than three percent of the total budget, to be used in case of unforeseen items of expenditure. Such contingent reserve is under the control of the City Manager and distributed after approval of the City Council. Expenditures from this reserve are made only in case of established emergencies, and a detailed account of such expenditures is recorded and reported.

Cash Equivalents

For purposes of the statement of cash flows, the City considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. streets, bridges, sidewalks, curbs, and drainage systems) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of \$3,000 or more and an estimated useful life in excess of one year. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are depreciated using the straight line method over the following estimated useful lives:

Buildings and Improvements	15 - 30 years
Infrastructure	20 years
Waterworks and Sewer Lines	20 - 35 years
Heavy Machinery	15 years
Transportation Vehicles	5 years
Office Equipment	5 years

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. On new certificates of obligations and bonds payable, premiums and discounts, are deferred and amortized over the life of the debt. Certificates of obligation and bonds payable are reported net of the applicable premium or discount. Issuance costs are recognized in the current period.

In the fund financial statements, governmental fund types recognized debt premiums and discounts, as well as issuance costs during the current period. The face amount of the debt issued is reported as other financial sources net of the applicable premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2016

Note A. Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently has deferred outflows of resources related to the pension plan. See additional information in Note K.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City does not have any of this type of item.

Fund Balance

The City adopted a fund balance policy in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Governmental fund balances classified as restricted are balances with constraints placed on the use of resources by creditors, grantors, contributors or laws and regulations of other governments. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the City Council through a resolution. Assigned fund balances are constrained by an intent to be used for specific purposes but are neither restricted or committed. Assignments are made by the City's Finance Director.

For the classification of the governmental fund balances, the City considers an expenditure to be made from the most restrictive classification first when more than one classification is available.

Net Position

In the government-wide financial statements, net position is classified in the following categories:

Net investment in capital assets—This category consists of all capital assets net of accumulated depreciation and reduced by outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets.

Restricted net position—This category consists of external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments, enabling legislation, and constitutional provisions.

Unrestricted net position—This category represents net position, not restricted for any project or other purpose.

When both restricted and unrestricted net position are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

Concentration of Credit Risk

The City has property taxes receivable from residents and businesses all of whom are located in the City. Also, the City has utility charges receivable from residents and businesses located in the City and surrounding areas.

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2016

Note A. Summary of Significant Accounting Policies (Continued)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the City's participation in the Texas Municipal League Intergovernmental Risk Pool (TMLIRP) for liability, property, and workers' compensation insurance. These are self-sustaining risk pools operated on a statewide basis for the benefit of several hundred Texas cities and other public entities. The City pays annual premiums to the TMLIRP, which retains risk of loss up to \$1,000,000 for property and liability insurance and up to \$1,500,000 for workers' compensation and obtains independent coverage for losses in excess of these amounts. The City retains no risk except for deductible amounts ranging from \$500 to \$10,000.

There have been no significant reductions in coverage in the past fiscal year and there have been no settlements exceeding insurance coverage in the current year or the past three fiscal years.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note B. Reconciliation of Government-wide and Fund financial statements

The following is an explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position:

The governmental fund balance sheet includes a reconciliation between fund balance for total governmental funds and net position as reported in the government-wide statement of net position. One element of that reconciliation explains "some liabilities, including bonds, leases, interest, net pension liability, and vacation payable, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this \$3,308,468 difference are as follows:

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2016

Note B. Reconciliation of Government-wide and Fund financial statements (Continued)

General obligation refunding bonds	\$ (350,000)
General obligation bonds	(2,200,000)
Unamortized bond premium	(89,137)
Capital leases payable	(1,154)
Accrued interest payable	(12,860)
Net pension liability	(586,038)
Vacation payable	<u>(69,279)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ (3,308,468)</u>

Note C. Deposits, Securities, and Investments

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the City to invest its funds under a written investment policy (the "Investment Policy") that primarily emphasizes safety of principal, availability of liquidity to meet the City's obligations and market rate of return. The Investment Policy defines what constitutes the legal list of investments allowed under the policy, which excludes certain investment instruments allowed under Chapter 2256 of the Texas Government Code.

The City's deposits and investments are invested pursuant to the Investment Policy.

The City is authorized to invest in the following investment instruments provided that they meet the guidelines of the Investment Policy:

1. Certificated of Deposit of a single issuer, not to exceed the FDIC insurable amount at any time;
2. Local Government Investment Cooperative is to be used for all invested funds that require a high degree of liquidity; and
3. City's Frost checking account is to be used for un-invested funds within 60 days of receipt.

The City invests in the Local Government Investment Cooperative ("LOGIC"), which is a local government investment pool, organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. LOGIC's governing body is a five-member Board of Directors comprised of employees, officers or elected officials of participant Government Entities or individuals who do not have a business relationship with LOGIC and are qualified to advise it. A maximum of two advisory board members represents the Co-Administrators of LOGIC. The Co-Administrators of the day to day administration of LOGIC are First Southwest Company, LLC and J.P. Morgan Investment Management, Inc. LOGIC is rated at a AAAm or equivalent rating from at least one nationally recognized rating agency. LOGIC seeks to maintain a net asset value of \$1.00 per unit and is designed to be used for investment of funds which may be needed at any time. All investments of the pool are stated at fair value in accordance with GASB Statement No.72, *Fair Value Measurement and Application*, and are categorized as Level 1 for the fair value hierarchy. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets and liabilities. Due to the fact that amortized cost, which generally approximates the market value of the assets has been deemed to be a proxy for fair value, portfolio assets are valued on the basis of the amortized cost valuation technique.

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2016

Note C. Deposits, Securities, and Investments (Continued)

As of September 30, 2016, the City has the following investments included in cash and cash equivalents:

	Weighted Average Maturity	Market Value	% of Total
LOGIC Investment Pool	45 days	\$3,895,722	93.58%
Certificates of Deposit		250,000	6.42%
Total Investments		\$3,895,722	100.00%

Interest Rate Risk – Investments are exposed to interest rate risk if there are changes in market interest rates that will adversely affect the fair value of an investment. As of September 30, 2016, the City's investments included investment pools and certificates of deposit, and therefore were not exposed to interest rate risk.

Credit Risk – State statute requires that investments in Local Government Investment Pools be rated AAA or the equivalent by a nationally recognized credit rating agency. As of September 30, 2016, the LOGIC investment pool was rated AAAM by Standard & Poor's.

Concentration of Credit Risk – The City's Investment policy does not place a limit on the amount that may be invested.

As of September 30, 2016, 93.58% of the City's portfolio was invested in Local Government Investment Pools and 6.42% of the City's portfolio was invested in certificates of deposit.

Custodial Credit Risk – Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name. At September 30, 2016, the City's cash and cash equivalents were insured or collateralized with securities held by the City or by its agent in the City's name.

Note D. Local Tax Revenues and Receivables

Ad valorem taxes are levied each October 1 from valuations assessed as of the prior January 1 and are recognized as revenue when they become available beginning on the date of levy, October 1. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay current liabilities. Taxes not expected to be collected within sixty days of the fiscal year end are recorded as unearned revenue and are recognized when they become available. Taxes collected prior to the levy date to which they apply are recorded as deferred inflows of resources and recognized as revenue of the period to which they apply.

Note E. Restricted Assets

Restricted assets in the Enterprise Fund of \$148,071 are held for customers' meter deposits.

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2016

Note F. Interfund Activity

The General Fund charges the Enterprise Fund for street repairs provided by the street department. In addition, the General Fund charges the Enterprise Fund, the Economic Development Corporation, Crime Control and Prevention District Fund, and the Street Improvement Fund an administrative fee for certain general and administrative services provided to such funds.

These interfund transactions for the fiscal year ended September 30, 2016 are as follows:

Administrative overhead reimbursement from Enterprise Fund	\$ 185,118
Administrative overhead reimbursement	
from Street Improvement Fund	54,287
from Economic Development Corporation (EDC) Fund	38,705
from Crime Control and Prevention District Fund	<u>29,891</u>
 Total transfers to General Fund	 <u>308,001</u>
Total interfund transfers	<u><u>\$ 308,001</u></u>

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2016

Note G. Capital Assets

Capital asset activity for the year ended September 30, 2016 was as follows:

	Balance 9/30/2015	Additions/ Adjustments	Disposals/ Adjustments	Balance 9/30/2016
Governmental activities				
Capital assets not being depreciated				
Land	\$ 215,274	\$ 65,512	\$ 15,000	\$ 265,786
Construction in progress	77,192	-	77,192	-
Total capital assets not being depreciated	292,466	65,512	92,192	265,786
Other capital assets				
Buildings and improvements	3,603,760	56,853	-	3,660,613
Infrastructure	1,608,310	398,277	-	2,006,587
Machinery and equipment	698,651	-	-	698,651
Vehicles	1,524,127	356,987	179,253	1,701,861
Total other capital assets	7,434,848	812,117	179,253	8,067,712
Less accumulated depreciation for:				
Building and improvements	1,747,640	141,488	-	1,889,128
Infrastructure	543,680	80,812	-	624,492
Machinery and equipment	560,878	32,670	-	593,548
Vehicles	1,259,773	117,456	179,253	1,197,976
Total accumulated depreciation	4,111,971	372,426	179,253	4,305,144
Other capital assets, net	3,322,877	439,691	-	3,762,568
Governmental activities capital assets, net	<u>\$ 3,615,343</u>	<u>\$ 505,203</u>	<u>\$ 92,192</u>	<u>\$ 4,028,354</u>

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2016

Note G. Capital Assets (Continued)

	Balance 9/30/2015	Additions/ Adjustments	Disposals/ Adjustments	Balance 9/30/2016
Business-type activities				
Capital assets not being depreciated				
Land	\$ 53,425	\$ -	\$ -	\$ 53,425
Total capital assets not being depreciated	53,425	-	-	53,425
Other capital assets				
Buildings and improvements	630,200	-	-	630,200
Water and sewer system	4,181,344	147,099	-	4,328,443
Machinery and equipment	284,971	21,436	-	306,407
Total other capital assets	5,096,515	168,535	-	5,265,050
Less accumulated depreciation for:				
Building and improvements	630,200	-	-	630,200
Water and sewer system	2,225,982	137,216	-	2,363,198
Machinery and equipment	195,738	13,853	-	209,591
Total accumulated depreciation	3,051,920	151,069	-	3,202,989
Other capital assets, net	2,044,595	17,466	-	2,062,061
Business-type activities capital assets, net	<u>\$ 2,098,020</u>	<u>\$ 17,466</u>	<u>\$ -</u>	<u>\$ 2,115,486</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Administrative	\$ 13,866
Streets	87,242
Parks and building maintenance	70,834
Police	74,577
Maintenance garage	7,347
Emergency medical services	33,723
Fire	63,046
Library	14,302
Animal control	7,489
Total Governmental activities	<u>\$ 372,426</u>
Business-type activities:	
Water	\$ 140,524
Sewer	10,545
Total Business-type activities	<u>\$ 151,069</u>

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2016

Note H. Long-Term Debt

Long-term debt of the City consists of bonds payable and long-term capital leases. Retirement of the governmental funds debt is provided from the debt service tax together with interest earned within the Debt Service fund. Retirement of the enterprise fund debt is provided from the revenue of the system. Long-term debt at September 30, 2016 consists of the following:

Governmental activities

General Obligation Bonds

- Series 2013 General Obligation Bonds.
- To acquire, repair and construct permanent public improvements, including streets and parks.
- Original balance of \$2,475,000.
- Payable in annual installments of \$75,000 to \$165,000, maturing February 1, 2033.
- Interest payable February 1 and August 1 at 2.00% to 3.50%.
- Outstanding balance of \$2,200,000 at September 30, 2016.

General Obligation Refunding Bonds

- Series 2007 General Obligation Refunding Bonds.
- To refund the 1998 Certificates of Obligation and part of the 2000 Certificates of Obligation.
- Original balance of \$1,560,000.
- Payable in annual installments of \$35,000 to \$180,000, maturing February 1, 2018.
- Interest payable February 1 and August 1 at 3.75%.
- Outstanding balance of \$350,000 at September 30, 2016.

Capital Lease Arrangements

Konica Minolta Premier Finance

- To purchase a copier for police department.
- Principal price of \$6,253.
- Payable in monthly installments of \$118 over five years.
- Outstanding balance of \$1,154 at September 30, 2016, bearing interest at 5.00%.

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2016

Note H. Long-Term Debt (Continued)

The following is an analysis of equipment leased under a capital lease as of September 30, 2016:

	Governmental Activities
Equipment	\$ 6,253
Less accumulated depreciation	(5,211)
	\$ 1,042

Future minimum lease payments for the above capital leases are as follows:

Scheduled future minimum lease payments	\$ 1,181
Less amount representing interest	(27)
Present value of future minimum capital lease payments (principal payoff)	\$ 1,154

Business-type activities

General Obligation Refunding Bonds

- Series 2007 General Obligation Refunding Bonds.
- To refund the 1998 Certificates of Obligation and part of the 2000 Certificates of Obligation.
- Original balance of \$1,010,000.
- Payable in annual installments of \$10,000 to \$120,000, maturing February 1, 2020.
- Interest payable February 1 and August 1 at 3.75%.
- Outstanding balance of \$460,000 at September 30, 2016.

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2016

Note H. Long-Term Debt (Continued)

The following is a summary of the changes by type of debt for the year ended September 30, 2016:

	Balance 9/30/2015	Additions	Retirements	Balance 9/30/2016	Due Within One Year
<u>Governmental activities</u>					
General Obligation Refunding Bonds	\$ 520,000	\$ -	\$ 170,000	\$ 350,000	\$ 170,000
General Obligation Bonds	2,300,000	-	100,000	2,200,000	100,000
Unamortized Bond Premium	98,672	-	9,535	89,137	9,247
Capital Leases	4,407	-	3,253	1,154	1,154
Vacation Payable	53,477	67,771	51,969	69,279	69,279
Net Pension Liability	432,239	300,420	146,621	586,038	-
Total Governmental activities	<u>3,408,795</u>	<u>368,191</u>	<u>481,378</u>	<u>3,295,608</u>	<u>349,680</u>
<u>Business-type activities</u>					
General Obligation Refunding Bonds	565,000	-	105,000	460,000	115,000
Vacation Payable	7,214	6,772	5,905	8,081	8,081
Net Pension Liability	46,151	32,215	15,674	62,692	-
Total Business-type activities	<u>618,365</u>	<u>38,987</u>	<u>126,579</u>	<u>530,773</u>	<u>123,081</u>
Totals	<u>\$4,027,160</u>	<u>\$ 407,178</u>	<u>\$ 607,957</u>	<u>\$3,826,381</u>	<u>\$ 472,761</u>

The annual requirements to amortize long-term debt as of September 30, 2016 are as follows:

Governmental Activities

Year Ending	Refunding Bond		Bond		Capital Leases		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2017	\$ 170,000	\$ 9,938	\$ 100,000	\$ 64,750	\$ 1,154	\$ 27	\$ 345,869
2018	180,000	3,375	105,000	62,700	-	-	351,075
2019	-	-	105,000	60,600	-	-	165,600
2020	-	-	110,000	57,900	-	-	167,900
2021	-	-	115,000	54,525	-	-	169,525
2022-2026	-	-	615,000	218,925	-	-	833,925
2027-2031	-	-	725,000	110,450	-	-	835,450
2032-2035	-	-	325,000	9,825	-	-	334,825
Total	<u>\$ 350,000</u>	<u>\$ 13,313</u>	<u>\$2,200,000</u>	<u>\$ 639,675</u>	<u>\$ 1,154</u>	<u>\$ 27</u>	<u>\$3,204,169</u>

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2016

Note H. Long-Term Debt (Continued)

Business-type activities

Fiscal Year Ending	General Obligation Refunding Bond		Total
	Principal	Interest	
2017	\$ 115,000	\$ 15,094	\$ 130,094
2018	115,000	10,782	125,782
2019	110,000	6,563	116,563
2020	120,000	2,250	122,250
Total	<u>\$ 460,000</u>	<u>\$ 34,689</u>	<u>\$ 494,689</u>

Note I. Accumulated Unpaid Vacation and Sick Leave

Sick leave is recorded when paid because employees are not compensated for unused sick leave. Vacation is earned in varying amounts. Unused vacation leave is carried forward from one year to the next up to certain limits. The City has accrued for the estimated liability for compensated absences in the governmental and business-type activities in the government-wide financial statements and in the proprietary fund financial statements. The City's aggregate liability for accrued vacation payable as of September 30, 2016 was \$77,360.

Note J. Restricted Net Position

The government-wide statement of net position reports \$1,374,929 of restricted net position, of which \$1,280,223 is restricted by enabling legislation for the following:

Economic development	\$ 851,186
Street improvements	348,625
Crime control and prevention district	79,020
Tax increment financing zone	<u>1,392</u>
Total	<u>\$ 1,280,223</u>

Note K. Defined Benefit Pension Plan

Plan Description

The City participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2016

Note K. Defined Benefit Pension Plan (Continued)

All eligible employees of the City are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City are as follows:

Employee deposit rate	5.00%
Matching ratio (city to employee)	2 to 1
Years required for vesting	10
Service retirement eligibility (expressed as age/years of service)	60/10, 0/20
Updated service credit	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Employees covered by benefit terms.

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	17
Inactive employees entitled to but not yet receiving benefits	40
Active employees	<u>49</u>
 Total	 <u><u>106</u></u>

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were 8.59% and 8.45% in calendar years 2015 and 2016, respectively. The City's contributions to TMRS for the year ended September 30, 2016 were \$158,902, and were equal to the required contributions.

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2016

Note K. Defined Benefit Pension Plan (Continued)

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The TPL in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2015 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, Gabriel Roeder Smith & Company, Consultants & Actuaries focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2016

Note K. Defined Benefit Pension Plan (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.10%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	3.65%
Real Return	10.00%	4.03%
Real Estate	10.00%	5.00%
Absolute Return	10.00%	4.00%
Private Equity	5.00%	8.00%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2016

Note K. Defined Benefit Pension Plan (Continued)

Changes in the NPL	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2014	\$ 5,386,034	\$ 4,907,644	\$ 478,390
Changes for the year:			
Service cost	202,453	-	202,453
Interest	375,761	-	375,761
Change of benefit terms	-	-	-
Difference between expected and actual experience	(213,513)	-	(213,513)
Changes of assumptions	58,374	-	58,374
Contributions - employer	-	158,097	(158,097)
Contributions - employee	-	92,024	(92,024)
Net investment income	-	7,242	(7,242)
Benefit payments, including refunds of employee contributions	(238,500)	(238,500)	-
Administrative expense	-	(4,411)	4,411
Other Changes	-	(218)	218
Net Changes	184,575	14,234	170,341
Balance at 12/31/2015	\$ 5,570,609	\$ 4,921,878	\$ 648,731

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's NPL	\$ 1,402,413	\$ 648,731	\$ 32,196

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2016

Note K. Defined Benefit Pension Plan (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com. The City's plan's fiduciary net position has been determined on the same basis as that used by TMRS. The TMRS plan is reported on the accrual basis of accounting. Benefits are recorded when payable in accordance with TMRS's plan terms. Refunds are recorded and paid upon receipt of an approved application for refund. Investments are reported at fair value.

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2016, the City recognized pension expense of \$173,512.

At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 161,433
Changes in actuarial assumptions	41,355	-
Difference between projected and actual investment earnings	305,222	-
Contributions subsequent to the measurement date	116,019	-
Total	\$ 462,596	\$ 161,433

The net amounts of the City's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30th:	
2017	\$ 142,247
2018	31,785
2019	59,874
2020	67,257
Total	\$ 301,163

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2016

Note L. Other Postemployment Benefits

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). TMRS issues a publicly available comprehensive annual financial report (CAFR) that includes the Pension Trust Fund and the Supplemental Death Benefits Fund that can be obtained at www.tmrs.com. The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the years ended September 30, 2016, 2015, and 2014 were \$3,919, \$3,343, and \$3,762, respectively, which equaled the required contributions each year.

Schedule of Contribution Rates:
 (RETIREE - only portion of the rate)

Plan/ Calendar Year	Annual Required Contribution Rate	Actual Contribution Rate	Percentage of ARC Contributed
2014	0.03%	0.03%	100.00%
2015	0.03%	0.03%	100.00%
2016	0.03%	0.03%	100.00%

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2016

Note M. Commitments

The City has a contract with the City of Fort Worth, Texas, for the purchase of treated water and sewage treatment. The contract for water, dated, December 2, 2010 for a 20 year period, is used to supplement the water wells operated by the City. The contract for sewer is dated May 8, 1987 for a 30 year period. Charges are incurred when actual delivery occurs and the rates are adjusted periodically. For the fiscal year ended September 30, 2016, the City's expenses in Water and Sewer Fund for water and sewer treatment were \$20,987 and \$502,344, respectively.

Note N. Everman Economic Development Corporation

In October 1999, the Everman Economic Development Corporation was created, upon approval of the voters of a half-penny sales and use tax, pursuant to Section 4B of the Development Corporation Act of 1979, as amended, Article 5190.6, Vernon's Texas Civil Statutes. The City maintains all accounting records for the Corporation. The Corporation is considered to be a component unit of the City of Everman and is treated as a special revenue fund of the City. The expenditures of the half-penny sales tax can only be spent on projects and improvements that promote economic development activities within the City of Everman.

Note O. Everman Crime Control and Prevention District

In May 2002, the Everman Crime Control and Prevention District was created, upon approval of the voters of a quarter-penny sales and use tax. The City maintains all accounting records for the District. The District is considered to be a component unit of the City of Everman and is treated as a special revenue fund of the City. The expenditures of the quarter-penny sales tax can only be used to provide supplemental funding to the police department in order to provide funding for law enforcement.

Note P. Everman Tax Increment Financing Reinvestment Zone Number One (TIF)

In January 2014, the Everman Tax Increment Financing Reinvestment Zone Number One (TIF) was created, upon approval by City Council with the creation of a reinvestment zone, as authorized by the Tax Increment Financing Act, Chapter 311 of the Texas Tax Code, Vernon's Texas Codes Annotated. The City maintains all accounting records for the TIF. The TIF is considered to be a component unit of the City of Everman and is treated as a special revenue fund of the City. The revenue from the real property taxes captured by the TIF are to be used to fund public improvement project costs within the TIF as specified in the Financing Plan.

Note Q. Subsequent Events

On November 8, 2016, the City began a major project with Nextera to replace all water meters and install a radio-read system. Additionally, all lighting in City buildings will be replaced with LED lights as part of this project. Cost savings and revenue enhancements are expected to pay for this \$1.3 million project over the 13 year life of the underlying \$1 million note payable with a 2.35% interest rate financed through Government Capital Corporation.

**REQUIRED SUPPLEMENTAL
INFORMATION**

CITY OF EVERMAN, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balance
- Budget and Actual -
General Fund
For the Fiscal Year Ended September 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,950,343	\$ 1,950,343	\$ 1,903,184	\$ (47,159)
Licenses, permits, and fees for services	333,486	333,486	318,962	(14,524)
Intergovernmental revenue	168,332	242,845	241,402	(1,443)
Donations	129,000	132,543	138,999	6,456
Fines and fees	307,880	307,880	233,446	(74,434)
Interest income	7,663	7,663	12,698	5,035
Other revenues	17,819	51,097	47,453	(3,644)
Administrative services - Other Funds	308,005	308,005	308,001	(4)
Total revenues	<u>3,222,528</u>	<u>3,333,862</u>	<u>3,204,145</u>	<u>(129,717)</u>
Expenditures				
Administrative	633,737	637,237	617,677	19,560
Streets	558,215	590,715	594,984	(4,269)
Parks and building maintenance	127,224	101,224	100,225	999
Police	1,214,637	1,314,115	1,313,666	449
Maintenance garage	164,591	162,341	154,151	8,190
Emergency medical services	353,873	404,123	410,535	(6,412)
Fire	53,622	48,622	45,682	2,940
Community and activity centers	35,460	35,460	18,963	16,497
Municipal court	58,727	67,727	67,611	116
Code enforcement	75,697	67,197	64,161	3,036
Library	120,137	112,337	112,262	75
Animal control	84,951	81,294	80,906	388
Capital outlay	240,000	333,328	319,335	13,993
Debt service	2,251	2,251	3,395	(1,144)
Total expenditures	<u>3,723,122</u>	<u>3,957,971</u>	<u>3,903,553</u>	<u>54,418</u>
Net change in fund balance	<u>(500,594)</u>	<u>(624,109)</u>	<u>(699,408)</u>	<u>\$ (75,299)</u>
Fund balances, beginning of year	<u>2,503,849</u>	<u>2,503,849</u>	<u>2,503,849</u>	
Fund balances, end of year	<u>\$ 2,003,255</u>	<u>\$ 1,879,740</u>	<u>\$ 1,804,441</u>	

CITY OF EVERMAN, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balance
- Budget and Actual -
Economic Development Corporation Fund
For the Fiscal Year Ended September 30, 2016

	Budgeted Amounts		Variance with Final Budget Favorable (Unfavorable)
	Original and Final	Actual Amounts	
Revenues			
Sales tax	\$ 145,000	\$ 161,809	\$ 16,809
Interest income	14,900	10,783	(4,117)
Total revenues	<u>159,900</u>	<u>172,592</u>	<u>12,692</u>
Expenditures			
Administrative	236,485	158,368	78,117
Capital outlay	140,000	65,512	74,488
Total expenditures	<u>376,485</u>	<u>223,880</u>	<u>152,605</u>
Deficiency of revenues under expenditures	<u>(216,585)</u>	<u>(51,288)</u>	<u>165,297</u>
Other financing sources			
Gain on sale of assets	<u>70,000</u>	<u>-</u>	<u>(70,000)</u>
Net change in fund balance	(146,585)	(51,288)	<u>\$ 95,297</u>
Fund balances, beginning of year	<u>902,474</u>	<u>902,474</u>	
Fund balances, end of year	<u>\$ 755,889</u>	<u>\$ 851,186</u>	

CITY OF EVERMAN
Schedule of Changes in the Net Pension Liability and Related Ratios
Last Two Fiscal Years **

<u>Measurement Date - December 31st: *</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability (a)		
Beginning Balance	\$5,386,034	\$5,212,243
Service cost	202,453	149,731
Interest	375,761	359,272
Difference between expected and actual experience	(213,513)	(25,895)
Changes of assumptions	58,374	-
Benefit payments, including refunds of employee contributions	<u>(238,500)</u>	<u>(309,317)</u>
End of Year Balance	<u>\$5,570,609</u>	<u>\$5,386,034</u>
Plan Fiduciary Net Position (b)		
Beginning Balance	\$4,907,644	\$4,716,010
Contributions - employer	158,097	150,131
Contributions - employee	92,024	84,060
Net investment income	7,242	269,809
Benefit payments, including refunds of employee contributions	(238,500)	(309,317)
Administrative expense	(4,411)	(2,817)
Other changes	<u>(218)</u>	<u>(232)</u>
End of Year Balance	<u>\$4,921,878</u>	<u>\$4,907,644</u>
Net Pension Liability (a) - (b)		
Beginning Balance	\$478,390	\$496,233
Service cost	202,453	149,731
Interest	375,761	359,272
Difference between expected and actual experience	(213,513)	(25,895)
Changes of assumptions	58,374	-
Contributions - employer	(158,097)	(150,131)
Contributions - employee	(92,024)	(84,060)
Net investment income	(7,242)	(269,809)
Administrative expense	4,411	2,817
Other changes	<u>218</u>	<u>232</u>
End of Year Balance	<u>\$648,731</u>	<u>\$478,390</u>
Plan's fiduciary net position as a percentage of the total pension liability	88.35%	91.12%
Covered-employee payroll	\$1,840,484	\$1,681,201
Net pension liability as a percentage of covered-employee payroll	35.25%	28.46%

* The amounts presented above are as of the measurement date of the collective net pension asset (liability).

** Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CITY OF EVERMAN
Schedule of Employer Contributions and Related Ratios
Last Two Fiscal Years **

Year Ended September 30th: *	2016	2015
The City's actuarially determined contribution	\$158,902	\$151,299
The amount of contributions recognized by the plan in relation to the actuarially determined contribution	158,902	151,299
The difference between the City's actuarially determined contribution and the amount of contributions recognized by the plan in relation to the City's actuarially determined contribution	\$0	\$0
Covered-employee payroll	\$1,872,220	\$1,745,348
The amount of contributions recognized by the plan in relation to the City's actuarially determined contribution as a percentage of covered-payroll	8.49%	8.67%

Notes to Schedule of Contributions

Valuation Date:

Actuarially determined contribution rates are calculated as of December 31 and become effective in January - 13 months later.

Methods and Assumptions Used to Calculate the Actuarially Determined Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	30 Years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

There were no benefit changes during the year.

* The amounts presented above are as of the City's applicable fiscal year-end.

** Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SUPPLEMENTAL INFORMATION

CITY OF EVERMAN, TEXAS
Combining Balance Sheet -
Nonmajor Governmental Funds
September 30, 2016

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Crime Control and Prevention District	Street Improvement Fund	Tax Increment Financing Zone	Debt Service Fund	
Assets					
Cash and cash equivalents	\$ 73,820	\$ 341,196	\$ 1,215	\$ 22,846	\$ 439,077
Taxes receivable, net of allowances for uncollectibles of \$15,891	5,200	7,429	177	19,256	32,062
Total assets	<u>\$ 79,020</u>	<u>\$ 348,625</u>	<u>\$ 1,392</u>	<u>\$ 42,102</u>	<u>\$ 471,139</u>
Liabilities and fund balances					
Liabilities:					
Unearned revenue- property taxes	\$ -	\$ -	\$ -	\$ 19,256	\$ 19,256
Total liabilities	-	-	-	19,256	19,256
Fund balances					
Restricted for:					
Street improvement	-	348,625	-	-	348,625
Crime control and prevention district	79,020	-	-	-	79,020
Tax increment financing zone	-	-	1,392	-	1,392
Debt service	-	-	-	22,846	22,846
Total fund balances	<u>79,020</u>	<u>348,625</u>	<u>1,392</u>	<u>22,846</u>	<u>451,883</u>
Total liabilities and fund balances	<u>\$ 79,020</u>	<u>\$ 348,625</u>	<u>\$ 1,392</u>	<u>\$ 42,102</u>	<u>\$ 471,139</u>

CITY OF EVERMAN, TEXAS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Fiscal Year Ended September 30, 2016

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Crime Control and Prevention District	Street Improvement Fund	Tax Increment Financing Zone	Debt Service Fund	
Revenues					
Property taxes	\$ -	\$ -	\$ -	\$ 359,229	\$ 359,229
Sales tax	66,620	80,904	-	-	147,524
Intergovernmental	-	-	1,158	-	1,158
Interest income	268	1,348	-	120	1,736
Total revenues	66,888	82,252	1,158	359,349	509,647
Expenditures					
Administrative	31,559	54,287	-	-	85,846
Maintenance	-	-	-	-	-
Capital outlay	74,693	99,999	-	-	174,692
Debt service	-	-	-	353,460	353,460
Total expenditures	106,252	154,286	-	353,460	613,998
Net change in fund balance	(39,364)	(72,034)	1,158	5,889	(104,351)
Fund balances, beginning of year	118,384	420,659	234	16,957	556,234
Fund balances, end of year	\$ 79,020	\$ 348,625	\$ 1,392	\$ 22,846	\$ 451,883

CITY OF EVERMAN, TEXAS
Statement of Revenues - Budget and Actual
General Fund
For the Fiscal Year Ended September 30, 2016
(With Comparative Totals For the Fiscal Year Ending September 30, 2015)

	Budgeted Amounts		2016 Actual	Variance with Final Budget	2015 Actual
	Original	Final		Favorable (Unfavorable)	
Taxes					
General property taxes					
Current	\$ 1,205,100	\$ 1,205,100	\$ 1,186,905	\$ (18,195)	\$ 1,161,538
Delinquent	28,840	28,840	28,055	(785)	26,210
Penalty and interest	28,840	28,840	44,914	16,074	30,335
Sales tax	309,000	309,000	323,618	14,618	322,488
Mixed beverage tax	10,933	10,933	11,447	514	10,673
Franchise tax	347,545	347,545	289,548	(57,997)	282,142
Bingo revenue tax	20,085	20,085	18,697	(1,388)	19,580
Totals	1,950,343	1,950,343	1,903,184	(47,159)	1,852,966
Licenses and permits					
Ambulance fees	-	-	16	16	156,811
Sanitation fees	286,340	286,340	290,081	3,741	208,429
Animal adoption fees	556	556	931	375	1,085
Animal control fees	309	309	2,151	1,842	352
Building permits	30,000	30,000	11,710	(18,290)	46,446
Amusement machine permits	973	973	810	(163)	945
Other licenses and permits	15,308	15,308	13,263	(2,045)	19,339
Totals	333,486	333,486	318,962	(14,524)	433,407
Intergovernmental					
Local grant	168,332	242,845	241,402	(1,443)	166,205
Totals	168,332	242,845	241,402	(1,443)	166,205
Donations					
County runs - fire	84,000	84,000	83,000	(1,000)	80,000
County runs - EMS	45,000	45,000	44,611	(389)	44,322
County runs - police	-	3,200	11,100	7,900	15,548
Animal control	-	343	208	(135)	20
Other donations	-	-	80	80	1,596
Totals	129,000	132,543	138,999	6,456	141,486
Fines and fees					
Court fines	107,007	107,007	77,692	(29,315)	91,917
Ambulance fees - insurance	195,131	195,131	150,654	(44,477)	190,061
Parks	-	-	-	-	83
Security alarm fee	3,683	3,683	3,200	(483)	3,306
Open records request fee	-	-	50	50	25
Labor liens recovery	500	500	1,223	723	1,767
Library fines and fees	1,559	1,559	627	(932)	1,633
Totals	307,880	307,880	233,446	(74,434)	288,792
Interest Income	7,663	7,663	12,698	5,035	5,550
Other revenues					
Pay phone commissions	-	-	115	115	185
Garage sale permits	2,575	2,575	2,750	175	2,600
Land rental	-	-	-	-	31,770
Oil and gas royalties	15,244	15,244	6,295	(8,949)	14,509
Miscellaneous	-	33,278	38,293	5,015	2,028
Totals	17,819	51,097	47,453	(3,644)	51,092
Administrative services - Other Funds	308,005	308,005	308,001	(4)	283,710
Total Revenues	\$ 3,222,528	\$ 3,333,862	\$ 3,204,145	\$ (129,717)	\$ 3,223,208

CITY OF EVERMAN, TEXAS
Statement of Expenditures - Budget and Actual
General Fund
For the Fiscal Year Ended September 30, 2016
(With Comparative Totals For the Fiscal Year Ending September 30, 2015)

	Budgeted Amounts		2016 Actual	Variance with Final Budget	2015 Actual
	Original	Final		Favorable (Unfavorable)	
Administrative					
Salaries	\$ 364,199	\$ 360,199	\$ 352,207	\$ 7,992	\$ 345,569
Supplies	33,372	33,372	19,768	13,604	19,224
Services	212,422	212,422	214,107	(1,685)	201,854
Maintenance	23,744	31,244	31,595	(351)	23,245
Capital outlay	-	30,015	37,041	(7,026)	3,548
Debt service	1,400	1,400	1,980	(580)	2,160
Totals	635,137	668,652	656,698	11,954	595,600
Streets					
Salaries	154,116	186,616	189,002	(2,386)	146,329
Supplies	2,000	2,000	7,027	(5,027)	7,018
Services	368,099	368,099	364,166	3,933	303,176
Maintenance	34,000	34,000	34,789	(789)	24,593
Capital outlay	66,000	66,000	61,436	4,564	-
Totals	624,215	656,715	656,420	295	481,116
Parks and building maintenance					
Salaries	92,254	66,254	44,673	21,581	45,797
Supplies	11,220	11,220	29,250	(18,030)	21,562
Services	23,750	23,750	26,302	(2,552)	21,356
Totals	127,224	101,224	100,225	999	88,715
Police					
Salaries	1,128,779	1,177,779	1,172,017	5,762	1,110,600
Supplies	22,200	58,678	42,412	16,266	22,364
Services	44,568	58,568	70,418	(11,850)	53,924
Maintenance	19,090	19,090	28,819	(9,729)	24,121
Capital outlay	-	-	-	-	27,077
Debt service	851	851	1,415	(564)	1,145
Totals	1,215,488	1,314,966	1,315,081	(115)	1,239,231
Maintenance garage					
Salaries	68,784	68,784	69,146	(362)	65,970
Supplies	50,530	48,280	45,068	3,212	50,543
Services	5,041	5,041	4,332	709	5,355
Maintenance	40,236	40,236	35,605	4,631	49,496
Capital outlay	10,000	10,000	-	10,000	19,490
Totals	174,591	172,341	154,151	18,190	190,854
Emergency medical service					
Salaries	307,772	358,022	378,778	(20,756)	317,710
Supplies	16,522	16,522	8,766	7,756	12,713
Services	25,429	25,429	21,823	3,606	22,336
Maintenance	4,150	4,150	1,168	2,982	3,577
Capital outlay	50,000	96,000	89,584	6,416	-
Totals	\$ 403,873	\$ 500,123	\$ 500,119	\$ 4	\$ 356,336

CITY OF EVERMAN, TEXAS
Statement of Expenditures - Budget and Actual
General Fund
For the Fiscal Year Ended September 30, 2016
(With Comparative Totals For the Fiscal Year Ending September 30, 2015)

	Budgeted Amounts		2016 Actual	Variance with Final Budget Favorable (Unfavorable)	2015 Actual
	Original	Final			
Fire					
Volunteer benefits	\$ 7,575	\$ 7,575	\$ 8,654	\$ (1,079)	\$ 8,006
Supplies	13,045	20,045	17,344	2,701	14,026
Services	18,452	12,452	11,206	1,246	16,363
Maintenance	14,550	8,550	8,478	72	7,844
Capital outlay	114,000	131,313	131,274	39	71,221
Debt service	-	-	-	-	308
Totals	167,622	179,935	176,956	2,979	117,768
Community and activity centers					
Services	6,200	6,200	5,464	736	6,094
Maintenance	29,260	29,260	13,499	15,761	7,986
Totals	35,460	35,460	18,963	16,497	14,080
Municipal court					
Salaries	36,396	38,396	38,046	350	36,191
Supplies	5,231	5,231	1,199	4,032	1,917
Services	17,100	24,100	26,534	(2,434)	21,406
Maintenance	-	-	1,832	(1,832)	1,737
Totals	58,727	67,727	67,611	116	61,251
Code enforcement					
Salaries	44,899	44,899	45,652	(753)	43,008
Supplies	1,366	1,366	1,088	278	1,453
Services	25,832	17,332	13,386	3,946	27,142
Maintenance	3,600	3,600	4,035	(435)	3,956
Totals	75,697	67,197	64,161	3,036	75,559
Library					
Salaries	103,424	95,624	90,168	5,456	67,261
Supplies	7,600	7,600	7,159	441	8,425
Services	9,113	9,113	12,592	(3,479)	9,478
Maintenance	-	-	2,343	(2,343)	2,847
Totals	120,137	112,337	112,262	75	88,011
Animal control					
Salaries	71,492	67,492	70,909	(3,417)	51,954
Supplies	6,048	6,391	3,722	2,669	4,314
Services	3,736	3,736	3,225	511	4,871
Maintenance	3,675	3,675	3,050	625	3,338
Totals	84,951	81,294	80,906	388	64,477
Total Expenditures	\$ 3,723,122	\$ 3,957,971	\$ 3,903,553	\$ 54,418	\$ 3,372,998

CITY OF EVERMAN, TEXAS
Statement of Revenues, Expenditures and Changes in Fund Balance
- Budget and Actual -
Crime Control and Prevention District Fund
For the Fiscal Year Ended September 30, 2016
(With Comparative Totals For the Fiscal Year Ending September 30, 2015)

	Budgeted Amounts		Variance with Final Budget Favorable (Unfavorable)	2015 Actual
	Original and Final	2016 Actual		
Revenues				
Sales tax	\$ 56,000	\$ 66,620	\$ 10,620	\$ 64,063
Interest income	200	268	68	92
Total revenues	56,200	66,888	10,688	64,155
Expenditures				
Administrative	34,391	31,559	2,832	14,668
Capital outlay	75,000	74,693	307	9,640
Total expenditures	109,391	106,252	3,139	24,308
Net change in fund balance	(53,191)	(39,364)	\$ 13,827	39,847
Fund balances, beginning of year	118,384	118,384		78,537
Fund balances, end of year	\$ 65,193	\$ 79,020		\$ 118,384

CITY OF EVERMAN, TEXAS
Statement of Revenues, Expenditures and Changes in Fund Balance
- Budget and Actual -
Street Improvement Fund
For the Fiscal Year Ended September 30, 2016
(With Comparative Totals For the Fiscal Year Ending September 30, 2015)

	Budgeted Amounts		Variance with Final Budget Favorable (Unfavorable)	2015 Actual
	Original and Final	2016 Actual		
Revenues				
Sales tax	\$ 72,000	\$ 80,904	\$ 8,904	\$ 80,781
Interest income	600	1,348	748	394
Total revenues	72,600	82,252	9,652	81,175
Expenditures				
Administrative	54,288	54,287	1	12,000
Maintenance	-	-	-	928
Capital outlay	100,000	99,999	1	74,918
Total expenditures	154,288	154,286	2	87,846
Net change in fund balance	(81,688)	(72,034)	\$ 9,654	(6,671)
Fund balances, beginning of year	420,659	420,659		427,330
Fund balances, end of year	\$ 338,971	\$ 348,625		\$ 420,659

CITY OF EVERMAN, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balance
- Budget and Actual -
Debt Service Fund
For the Fiscal Year Ended September 30, 2016
(With Comparative Totals For the Fiscal Year Ending September 30, 2015)

	Budgeted Amounts		Variance with Final Budget Favorable (Unfavorable)	2015 Actual
	Original and Final	2016 Actual		
Revenues				
Property taxes	\$ 365,270	\$ 359,229	\$ (6,041)	\$ 351,845
Interest Income	50	120	70	35
Total revenues	365,320	359,349	(5,971)	351,880
Expenditures				
Debt and capitalized lease debt service:				
Principal retirement	270,000	270,000	-	260,000
Interest and fiscal charges	83,463	83,460	3	91,650
Total expenditures	353,463	353,460	3	351,650
Net change in fund balance	11,857	5,889	<u>\$ (5,968)</u>	230
Fund balances, beginning of year	16,957	16,957		16,727
Fund balances, end of year	<u>\$ 28,814</u>	<u>\$ 22,846</u>		<u>\$ 16,957</u>

CITY OF EVERMAN, TEXAS
Statement of Operating Expenses - Budget and Actual
Enterprise Fund
For the Fiscal Year Ended September 30, 2016
(With Comparative Totals For the Fiscal Year Ending September 30, 2015)

	Budgeted Amounts		Variance with Final Budget Favorable (Unfavorable)	2015 Actual
	Original and Final	2016 Actual		
Water				
Salaries	\$ 273,632	\$ 271,781	\$ 1,851	\$ 261,385
Supplies	35,477	43,157	(7,680)	64,397
Services	147,684	188,069	(40,385)	226,515
Maintenance	124,188	26,949	97,239	29,448
Equipment	95,000	4,820	90,180	14,032
Totals	<u>675,981</u>	<u>534,776</u>	<u>141,205</u>	<u>595,777</u>
Sewer				
Supplies	13,300	4,007	9,293	3,164
Services	479,430	503,123	(23,693)	504,366
Totals	<u>492,730</u>	<u>507,130</u>	<u>(14,400)</u>	<u>507,530</u>
Administrative services - General Fund	<u>185,120</u>	<u>185,118</u>	<u>2</u>	<u>247,710</u>
Depreciation	<u>98,500</u>	<u>151,069</u>	<u>(52,569)</u>	<u>131,960</u>
Total operating expenses	<u>\$ 1,452,331</u>	<u>\$ 1,378,093</u>	<u>\$ 74,238</u>	<u>\$ 1,482,977</u>

CITY OF EVERMAN, TEXAS
Governmental Activities
Schedule of 2007 General Obligation Refunding Bonds Payable
Debt Service Requirement in Future Years
September 30, 2016

	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Requirements</u>
2017	\$ 170,000	\$ 9,938	\$ 179,938
2018	180,000	3,375	183,375
	<u>\$ 350,000</u>	<u>\$ 13,313</u>	<u>\$ 363,313</u>

CITY OF EVERMAN, TEXAS
Governmental Activities
Schedule of 2013 General Obligation Bonds Payable
Debt Service Requirement in Future Years
September 30, 2016

	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Requirements</u>
2017	\$ 100,000	\$ 64,750	\$ 164,750
2018	105,000	62,700	167,700
2019	105,000	60,600	165,600
2020	110,000	57,900	167,900
2021	115,000	54,525	169,525
2022	115,000	51,075	166,075
2023	120,000	47,550	167,550
2024	125,000	43,875	168,875
2025	125,000	40,125	165,125
2026	130,000	36,300	166,300
2027	135,000	31,988	166,988
2028	140,000	27,175	167,175
2029	145,000	22,187	167,187
2030	150,000	17,025	167,025
2031	155,000	12,075	167,075
2032	160,000	7,350	167,350
2033	165,000	2,475	167,475
	<u>\$ 2,200,000</u>	<u>\$ 639,675</u>	<u>\$ 2,839,675</u>

CITY OF EVERMAN, TEXAS
Governmental Activities
Schedule of Capital Lease Payable -
Konica Minolta Premier Finance
Debt Service Requirement in Future Years
September 30, 2016

COPIER - POLICE DEPARTMENT

	Total Principal	Total Interest	Total Requirements
2017	\$ 1,154	\$ 27	\$ 1,181

CITY OF EVERMAN, TEXAS
Business-Type Activities
Schedule of 2007 General Obligation Refunding Bonds Payable
Debt Service Requirement in Future Years
September 30, 2016

	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Requirements</u>
2017	\$ 115,000	\$ 15,094	\$ 130,094
2018	115,000	10,782	125,782
2019	110,000	6,563	116,563
2020	<u>120,000</u>	<u>2,250</u>	<u>122,250</u>
	<u>\$ 460,000</u>	<u>\$ 34,689</u>	<u>\$ 494,689</u>

CITY OF EVERMAN, TEXAS
Schedule of Insurance Coverage
September 30, 2016

Type of Coverage	Effective Dates		Premium	Policy #	Amount of Coverage	Insurer
	From	To				
General Liability	10/1/2015	10/1/2016	\$ 1,966	3663	\$ 1,000,000	Texas Municipal League Intergovernmental Risk Pool
Real and Personal Property	10/1/2015	10/1/2016	9,922	3663	9,316,586	Texas Municipal League Intergovernmental Risk Pool
Mobile Equipment	10/1/2015	10/1/2016	938	3663	228,768	Texas Municipal League Intergovernmental Risk Pool
Boiler & Machinery	10/1/2015	10/1/2016	Included	3663	500,000	Texas Municipal League Intergovernmental Risk Pool
Law Enforcement Liability	10/1/2015	10/1/2016	6,670	3663	1,000,000	Texas Municipal League Intergovernmental Risk Pool
Errors & Omissions Liability	10/1/2015	10/1/2016	3,911	3663	1,000,000	Texas Municipal League Intergovernmental Risk Pool
Automobile Liability	10/1/2015	10/1/2016	16,527	3663	1,000,000	Texas Municipal League Intergovernmental Risk Pool
Auto Physical Damage	10/1/2015	10/1/2016	9,889	3663	ACV	Texas Municipal League Intergovernmental Risk Pool
Public Employee Dishonesty	10/1/2015	10/1/2016	584	3663	100,000	Texas Municipal League Intergovernmental Risk Pool
Workers Compensation	10/1/2015	10/1/2016	<u>48,143</u>	3663	Statutory Limits	Texas Municipal League Intergovernmental Risk Pool
Total Premiums			<u>\$ 98,550</u>			

Note: This statement is presented for information only and is not intended as an expression as to adequacy of coverage.

**OVERALL COMPLIANCE AND
INTERNAL CONTROL SECTION**



SNOW GARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Honorable Mayor and Members of the City Council
City of Everman, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Everman, Texas, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Everman, Texas' basic financial statements and have issued our report thereon dated March 3, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Everman, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Everman, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Everman, Texas' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Everman, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Snow Garrett Williams". The signature is written in a cursive, flowing style.

Snow Garrett Williams

March 3, 2017

